

# Loxahatchee River District

Water Reclamation | Environmental Education | River Restoration


2500 Jupiter Park Drive, Jupiter, Florida 33458-8964

Telephone (561) 747-5700 • Fax (561) 747-9929 • [www.loxahatcheeriver.org](http://www.loxahatcheeriver.org)



D. Albrey Arrington, Ph.D., Executive Director

## MEMORANDUM

TO: GOVERNING BOARD  
FROM: D. ALBREY ARRINGTON, Ph.D.   
DATE: MARCH 13, 2015  
SUBJECT: AUDIT FOR FISCAL YEARS 2014 & 2013

The Annual Financial Report for fiscal years ended September 30, 2014 and 2013 is attached. I am pleased to tell you we received a 'clean' audit with an 'unmodified opinion'. This final audit includes Management's Discussion and Analysis, starting on page 9. There have been a few changes from the Draft Annual Financial Report you reviewed last month. Subsequent to your review of the draft audit, the auditors discovered that the District's money market account with Florida Community Bank had been reported as an investment in 2014 and 2013. Because District accounting policies make a clear distinction between Cash and Cash Equivalents (cash, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition) and Investments (CDs with original maturities ranging from one year to five years), the auditors have reclassified the money market account balance as of September 30, 2014 and 2013 from Investments to Cash and Cash Equivalents. This was the only change made on the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position from the draft financial statements that you originally received. Total assets, liabilities, net position, operating revenues and expenses and non-operating revenues and expenses remain unchanged.

Ms. Diaz will be present at your March meeting to review the Annual Financial Report and answer any questions you may have. If you have questions before the Board meeting, please feel free to call Ms. Debbie Diaz directly (561-655-5855) or you can contact me.

I offer the following motion for your consideration:

**“THAT THE GOVERNING BOARD receive the Annual Financial Report for the fiscal years ended September 30, 2014 and 2013 as prepared and submitted by Rampell & Rampell, P.A.”**

# Rampell & Rampell, P.A.

certified public accountants

March 6, 2015

To the Governing Board  
Loxahatchee River Environmental Control District

We have audited the financial statements of Loxahatchee River Environmental Control District for the year ended September 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 12, 2015. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practice*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Loxahatchee River District are described in Note 1 to the financial statements.

As described in Note 1 to the financial statements, the District changed an accounting policy related to its defined contribution plan by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 67, *Financial Reporting for Pension Plans--an amendment of GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* in fiscal year 2014. The application of the remaining existing policies was not changed during fiscal year 2014.

We noted no transactions entered into by Loxahatchee River Environmental Control District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting Loxahatchee River Environmental Control District's financial statements were:

Management's estimate of depreciation on property, plant and equipment is computed using the straight-line method over useful lives that range from 50-100 years for lakes and retention ponds to 3-10 years for equipment. We evaluated the key factors and assumptions used to develop this estimate at September 30, 2014, in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 6, 2015.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Loxahatchee River Environmental Control District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Loxahatchee River Environmental Control District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of Board of Governors and management of Loxahatchee River Environmental Control District and is not intended to be, and should not be, used by anyone other than these specified parties.

*Rampell & Rampell, P.A.*

Rampell & Rampell, P.A.  
Palm Beach, Florida

# Loxahatchee River District

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D. Albrey Arrington, Ph.D., Executive Director

March 6, 2015

Rampell & Rampell, P.A.  
223 Sunset Avenue  
Suite 200  
Palm Beach, Florida

This representation letter is provided in connection with your audits of the financial statements of the Loxahatchee River Environmental Control District, which comprise the respective financial position of the business-type activity as of September 30, 2014, and the respective changes in financial position and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 6, 2015, the following representations made to you during your audit.

## Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 22, 2014, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

Gordon M. Boggie  
Board Member

Dr. Matt H. Rostock  
Board Member

Stephen B. Rockoff  
Chairman

Harvey M. Silverman  
Board Member

James D. Snyder  
Board Member

Rampell & Rampell, P.A.

March 6, 2015

Page 2

- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP
- 9) Guarantees, whether written or oral, under which Loxahatchee River Environmental Control District is contingently liable, if any, have been properly recorded or disclosed.

**Information Provided**

- 10) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within Loxahatchee River Environmental Control District from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the Governing Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the Loxahatchee River Environmental control District and involves:
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the Loxahatchee River Environmental Control District's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 17) We have disclosed to you the identity of Loxahatchee River Environmental Control District's related parties and all the related party relationships and transactions of which we are aware.

**Government—specific**

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have a process to track the status of audit findings and recommendations.

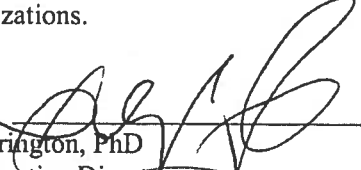
Rampell & Rampell, P.A.

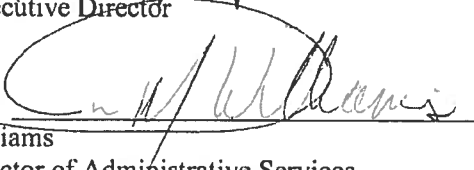
March 6, 2015


Page 3

- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) Loxahatchee River Environmental Control District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 23) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 24) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those non-audit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 28) Loxahatchee River Environmental Control District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) Loxahatchee River Environmental Control District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 31) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 32) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 33) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 34) Provisions for uncollectible receivables have been properly identified and recorded.
- 35) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 36) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

- 37) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 38) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 39) We have appropriately disclosed Loxahatchee River Environmental Control District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 40) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 41) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

Signature:   
Albrey Arrington, PhD  
Title: Executive Director

Signature:   
Anna Williams  
Title: Director of Administrative Services

Signature:   
Sue Bruce  
Title: Accountant II



# LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT



*ANNUAL FINANCIAL REPORT*

*SEPTEMBER 30, 2014 and 2013*



# LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2014 and 2013

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## **FINANCIAL SECTION**

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## **INDEPENDENT AUDITOR'S REPORT**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Governing Board  
Loxahatchee River Environmental Control District  
Jupiter, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Loxahatchee River Environmental Control District as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Loxahatchee River Environmental Control District as of September 30, 2014 and 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2015, on our consideration of Loxahatchee River Environmental Control District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Loxahatchee River Environmental Control District's internal control over financial reporting and compliance.

### ***Report on Other Legal and Regulatory Requirements***

We have also issued our report dated March 6, 2015, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

*Rampell + Rampell, P.A.*

Rampell & Rampell, P.A.  
Palm Beach, Florida

March 6, 2015



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Loxahatchee River Environmental Control District (the District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented in this discussion and analysis in conjunction with the basic financial statements, which begin on page 20.

### FINANCIAL HIGHLIGHTS

- ❖ The District's net position increased by \$4,079,965, or 3%.
- ❖ Total revenues (operating and non-operating) for the year ended September 30, 2014, were \$18,272,563. This represents an increase of \$736,442, or 4%, when compared with the prior year. The majority of the increase was due to a 3% rate increase implemented in April 2014 and the addition of new customers.
- ❖ Contributed assets totaled \$929,742 and mainly consisted of eight sanitary sewer systems, including two lift stations, constructed and turned over to the District by individual developers.
- ❖ Total operating expenses, including depreciation and amortization, were \$18,684,236. Excluding depreciation and amortization, this represents an increase of \$580,781; or 5% when compared with the prior year.
- ❖ Operating expenses (excluding depreciation and amortization) were \$747,529 less than the budget adopted by the Governing Board. Lower than anticipated lawn maintenance, health insurance and utility services costs, environmental monitoring and collection system repair projects that were not completed in the fiscal year, and unused contingency contributed to the favorable variance.
- ❖ The components of net position as of September 30, 2014, were as follows:
  - Net investment in capital assets \$104,210,176
  - Restricted for renewal and replacement \$6,300,000
  - Unrestricted \$32,666,737

### OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of two components: 1) proprietary fund financial statements and 2) notes to the financial statements.

#### *Required Financial Statements*

The financial statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the District's assets and liabilities. This statement provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, as well as being fiscally accountable and creditworthy. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, non-capital financing, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

*Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the proprietary fund financial statements.

**FINANCIAL ANALYSIS OF THE DISTRICT**

Net position may serve over time as a useful indicator of a government’s financial position. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District’s activities in a way that will help determine the District’s financial position at September 30, 2014. The District’s net position, the difference between assets and liabilities, is one way to measure the financial health or financial position of the District. Over time, increases and decreases in the District’s net position indicate whether the District’s financial health is improving or deteriorating. However, other factors such as changes in economic conditions, population growth, and new or changed governmental legislation also impact the fiscal condition.

*Net Position*

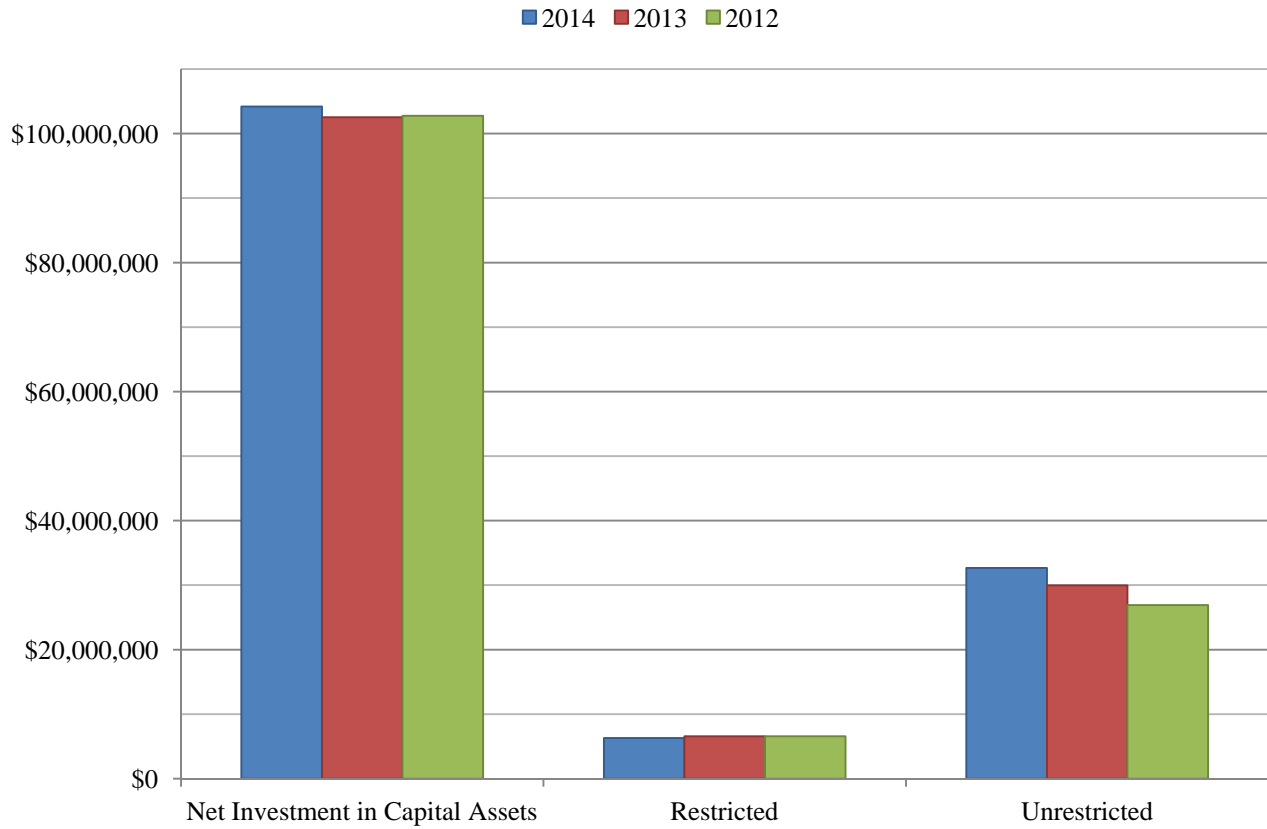
We begin our analysis by providing a summary of the District’s statements of net position for the fiscal years ended September 30, 2014, 2013, and 2012.

<b>Condensed Statement of Net Position</b>					
	<b>2014</b>	<b>2013</b>	<b>% Change</b>	<b>2012</b>	<b>% Change</b>
Current and other assets	\$ 43,293,510	\$ 41,026,056	6%	\$ 37,240,690	10%
Capital assets, net	106,858,339	106,855,062	0%	108,720,955	(2%)
<b>Total assets</b>	<b>\$ 150,151,849</b>	<b>\$ 147,881,118</b>	<b>2%</b>	<b>\$ 145,961,645</b>	<b>1%</b>
Long-term debt	\$ 2,431,798	\$ 3,570,742	(32%)	\$ 4,310,350	(17%)
Other liabilities	4,543,138	5,213,428	(13%)	5,399,628	(3%)
<b>Total liabilities</b>	<b>\$ 6,974,936</b>	<b>\$ 8,784,170</b>	<b>(21%)</b>	<b>\$ 9,709,978</b>	<b>(10%)</b>
Net position:					
Net investment in capital assets	\$ 104,210,176	\$ 102,544,712	2%	\$ 102,752,953	0%
Restricted for:					
Renewal and replacement	6,300,000	6,300,000	0%	6,300,000	0%
Debt service	-	278,024	(100%)	276,823	0%
Unrestricted	32,666,737	29,974,212	9%	26,921,891	11%
<b>Total net position</b>	<b>\$ 143,176,913</b>	<b>\$ 139,096,948</b>	<b>3%</b>	<b>\$ 136,251,667</b>	<b>2%</b>

As illustrated in the table above, the District’s assets exceeded liabilities by \$143,176,913, \$139,096,948, and \$136,251,667, at September 30, 2014, 2013 and 2012, respectively. At September 30, 2014, the largest portion of the District’s net position (73%) reflects its investment in capital assets (land, treatment and disposal systems, collection and transmission systems, equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services to citizens; accordingly, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to pay these liabilities. At this time, the District has \$8.1 million in noncurrent special assessments receivable.

An additional portion of the District’s net position (4%) represents resources that are subject to restrictions on how they may be used. Specifically, for fiscal year 2014, the District had reserved cash in the amount of \$6.3 million for renewal and replacement.

The following graph presents the components of the District’s net position as of September 30, 2014, 2013 and 2012.



At the end of the current fiscal year, the District is able to report positive balances in all three categories of net position. The same held true for the prior two fiscal years. The District’s net position increased \$4,079,965 during the fiscal year ended September 30, 2014. The increase is mainly due to capital contributions (i.e., connection charges for new developments and developer contributed facilities).

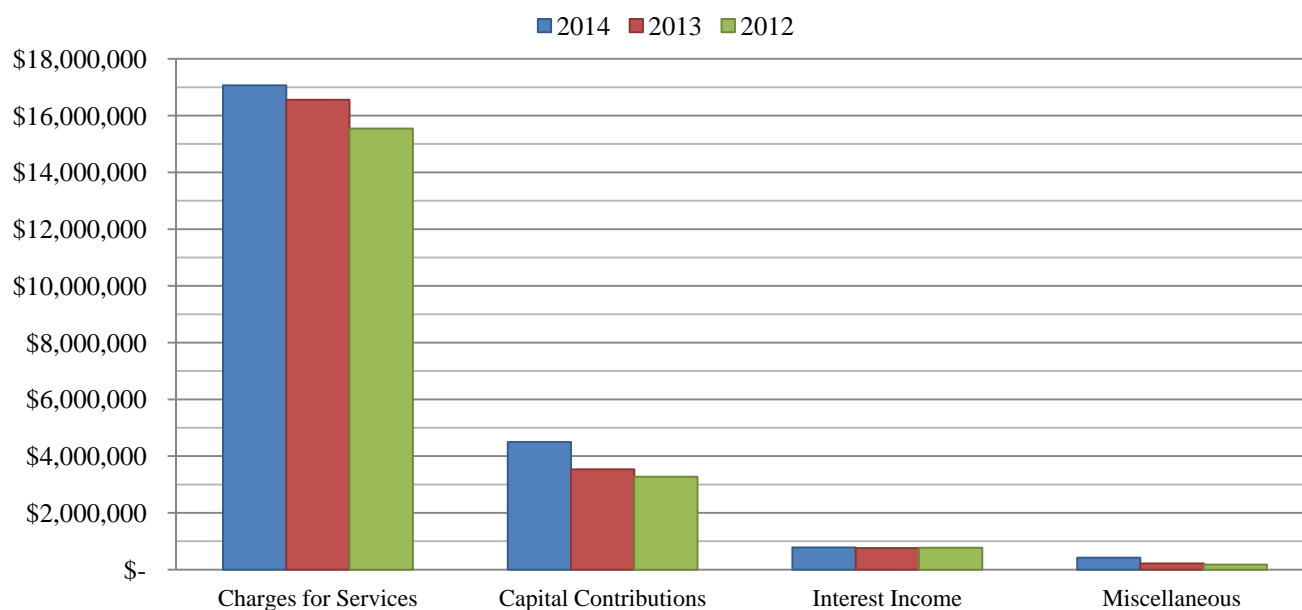
The following analysis highlights the changes in net position for the fiscal years ended September 30, 2014, 2013 and 2012.

### Condensed Statements of Revenues, Expenses, and Changes in Net Position

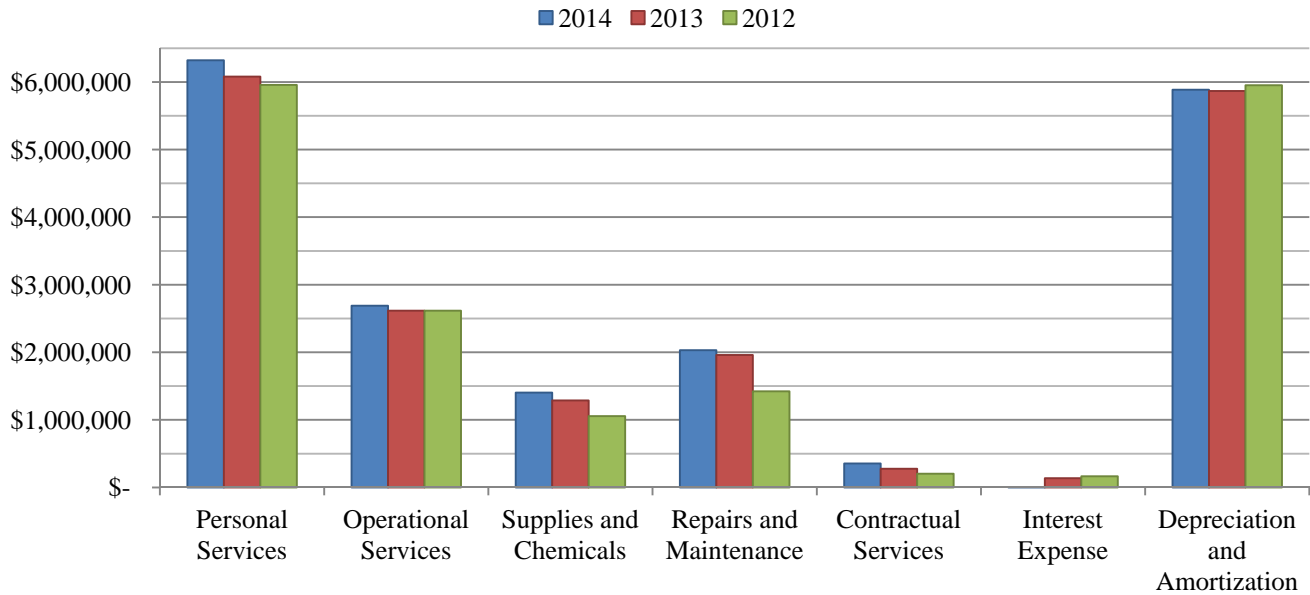
	2014	2013	% Change	2012	% Change
Operating revenues	\$ 17,569,309	\$ 17,093,166	3%	\$ 15,916,562	7%
Non-operating revenues	703,254	442,955	59%	577,829	(23%)
<b>Total revenues</b>	<b>18,272,563</b>	<b>17,536,121</b>	<b>4%</b>	<b>16,494,391</b>	<b>6%</b>
Depreciation and amortization expense	5,885,015	5,867,335	0%	5,953,184	(1%)
Operating expense	12,799,221	12,218,440	5%	11,254,917	9%
Non-operating expense	5,834	137,397	(96%)	165,250	(17%)
<b>Total expenses</b>	<b>18,690,070</b>	<b>18,223,172</b>	<b>3%</b>	<b>17,373,351</b>	<b>5%</b>
<b>Loss before capital contributions</b>	<b>(417,507)</b>	<b>(687,051)</b>	<b>(39%)</b>	<b>(878,960)</b>	<b>(22%)</b>
Capital contributions	4,497,472	3,532,332	27%	3,273,050	8%
<b>Change in net position</b>	<b>4,079,965</b>	<b>2,845,281</b>	<b>43%</b>	<b>2,394,090</b>	<b>19%</b>
Net position, beginning of year	139,096,948	136,251,667	2%	133,857,577	2%
<b>Net position, end of year</b>	<b>\$ 143,176,913</b>	<b>\$ 139,096,948</b>	<b>3%</b>	<b>\$ 136,251,667</b>	<b>2%</b>

While the statements of net position show the change in financial position of the District, the statements of revenues, expenses and changes in net position provide answers as to the nature and source of these changes.

The chart below shows revenues by source for the fiscal years ended September 30, 2014, 2013 and 2012, respectively. The largest change that occurred between 2014 and 2013 was an increase in charges for services, due largely to a 3.0% rate increase and an increase in number of customers served. Additionally, capital contributions (i.e., developer activity) showed a notable increase when compared with 2013.



The following graph presents expenses (operating and non-operating) for the fiscal years ended September 30, 2014, 2013 and 2012, respectively. Contractual Services increased by 28%; Supplies and Chemicals increased by 9%; Repairs and Maintenance increased by 4%; Personal Services increased by 4%; and Operational Services increased by 3%. Contractual Services were up largely due to litigation, which was settled through mediation.



### BUDGETARY HIGHLIGHTS

The District adopts an Operating Budget that is approved by the Governing Board prior to the start of each fiscal year. The budget remains in effect for the entire fiscal year and the Governing Board must approve any revisions that increase total appropriations. Because proprietary fund budgets are not part of the basic financial statements or required supplementary information, the fiscal year 2014 budget is not reported on, nor shown in, the financial statement section of this report. However, the table below presents a comparison between budget and actual as of September 30, 2014.

	Budget	Actual	Favorable (Unfavorable) Variance
Charges for services	\$ 16,960,890	\$ 17,068,443	\$ 107,553
Operating expenses less depreciation	\$ 13,546,750	\$ 12,799,221	\$ 747,529
Non-operating revenues – interest income	\$ 758,100	\$ 784,574	\$ 26,474

The favorable variance in operating revenues was driven by Service Availability Standby Charges and Irrigation Quality Water Revenue.

The favorable variance in operating expenses is primarily due to lower than anticipated lawn maintenance, health insurance and utility service costs. Additional contributing factors include the delay of environmental monitoring and collection system repair projects and unused contingency.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The District's investment in capital assets as of September 30, 2014, amounts to \$106,858,339 (net of accumulated depreciation), is relatively unchanged from the prior year. This investment in capital assets includes land, treatment and reuse/disposal system, collection and transmission system, equipment, and construction in progress. Although there were \$6.1 million in capital additions, the decrease of \$5.9 million due to normal scheduled depreciation and amortization and the decrease of \$779,000 due to disposal of fixed assets (that were replaced) kept the capital assets relatively unchanged.

Major capital asset events during the current year included the following:

- ❖ Construction work in progress as of the close of the fiscal year ended September 30, 2014, was \$1,494,374. Of this amount, \$321,117 was for the deep bed filter/transfer switch; \$297,131 was for the biosolids building odor control; \$177,596 was for Fox Run; \$152,921 was for Jupiter Inlet Colony; \$127,641 was for Set-N-Sun; and \$186,206 was for various other neighborhood sewerage projects.
- ❖ Construction of new treatment and disposal features and renewal of existing features completed and booked during fiscal year 2014 totaled \$95,100.
- ❖ Construction of new collection and transmission systems and renewal of existing features completed and recorded in fiscal year 2014 totaled \$4,163,315.
- ❖ Construction of IQ system improvements completed in fiscal year 2014 totaled \$71,284.

Additional information on the District's capital assets, including projects under construction can be found in Note 4 on pages 31 and 32 of this report.

### Long-term Debt

The District's long-term debt consists of the \$3,600,000 Utility System Revenue Bonds, Series 2009. The principal and interest due on the bond at September 30, 2014, as well as the current portion to be paid by September 30, 2015, is shown below.

Revenue Bonds	Matures	Principal	Interest	Total
Series 2009	2024	\$ 2,648,163	\$ 644,854	\$ 3,293,017
Less current portion		(216,365)	(115,175)	(331,540)
<b>Long-term debt as of 9/30/14</b>		<b>\$ 2,431,798</b>	<b>\$ 529,679</b>	<b>\$ 2,961,477</b>

The District's long-term debt of \$2,431,798 represents a decrease of \$1,138,944 from the prior year. Additional information on the District's long-term debt can be found in Note 6 on pages 32 through 34 of this report.

On December 1, 2014, the District prepaid the remaining amount due for the Series 2009 Revenue Bonds in the amount of \$3,042,087.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

Twice each year, the District analyzes its fiscal situation and develops official planning documents. The first process is an annual budget that is formulated over the summer and adopted prior to October 1st. As with all governments, the budget provides line item allocations for anticipated expenditures in the coming year and makes comparisons with projected revenues. The second process employed by the District occurs early each calendar year and consists of an analysis that looks further into the future, usually seven to eight years, and projects expenditures and revenues associated with operational and capital programs. Numerous economic growth factors, such as increasing operating costs, the need for new or renewed facilities, the pace of growth,

cost of financing, etc., are evaluated and incorporated into a computer model that was specifically developed by and for the utility. The resulting information then helps the Governing Board and staff to make decisions on the long-term financial health of the organization and the need to adjust revenues from rates, fees and charges. The District has used this management tool for over twenty years and finds it to be very effective.

Key to both the annual budget process and the long-term analysis are the economic factors and assumptions under which they are developed. The following information summarizes the financial conditions anticipated over the next few years.

### **Revenue**

**Quarterly Service Charges** – Revenue from quarterly service charges to residential and commercial customers is projected to increase at a rate of 3% to 6% for the next several years based on adopted District Rule 31-10 scheduled rate increases and system growth. From January 2009 through January 2014 new residential equivalent connections averaged an annual increase of about 1% per year. Looking forward, staff projects equivalent connections will continue to increase by an average of 1% per year for the next two years and gradually decline after that. These predictions would be meaningfully affected by significant re-development projects and/or a systematic effort to sewer the remainder of the District.

**Miscellaneous Revenue** – Miscellaneous Revenue includes administrative and engineering fees, estoppel fees, intergovernmental grants, cell phone tower lease, and other miscellaneous revenues. Fees are fixed by District Rule 31-10. Grant revenues are expected to increase based on a legislative response to the public outcry regarding degraded water quality in Florida’s springs, rivers and estuaries.

**Irrigation Quality (IQ) Fees** – IQ Fees have reached a stable level pending the availability of additional product. Fee increases, adjusted by the Engineering News Record Construction Cost Index, are scheduled for implementation in accordance with District Rule 31-10.

**Plant Charges** – Plant Charges are scheduled to increase at a rate of 2.5% to 5% for the next several years. The current level of growth (i.e., new developer agreements) has begun to increase following a multi-year slowdown in development. We expect growth to continue at a moderate level for the next several years.

**Line Charges** – Line Charges are projected to increase at a rate of 2.5% to 5% for the next several years. The increase in new developer agreement submittals is projected to remain concordant with rates observed in 2014 for the next two to three years.

**Assessments** – Assessments are anticipated to increase at a rate related to the rate of neighborhood sewerage. The District will continue to pay 10% of associated neighborhood sewerage costs. Gravity sewers will be constructed in Jupiter Inlet Colony, and JIC is expected to pay the sewer assessment as a lump sum payment of \$4.5 million in 2017.

**Interest** – A 1% return is projected through 2016 with rates increasing to 2% in 2017 and beyond. The principal amount available for investment has grown from \$15.6 million in 2009 to \$22.3 million in 2014. Annual cash flow is projected to be negative over the next two years as on-going and scheduled capital and renewal and replacement programs are funded with available cash (e.g., construction of new deep bed filters to replace our degraded traveling bridge filters, continued rehabilitation of our biosolids building, continued neighborhood sewerage, etc.). We do not anticipate taking on additional debt to support projected capital and renewal and replacement projects.

### **Expenses**

**Administration/Engineering/Operations** – Annual increases of 4.5% are projected based on system growth and increasing costs through the year 2020.

**Loan Payment** – In 2013, the Series 2010 bond debt and both 1997 bonds were retired. On December 1, 2014, the District prepaid the final outstanding bond (Series 2009 Revenue Bond) in the amount of \$3,042,087. Consequently, our annual bond payments declined from nearly \$1.9 million in 2013 to zero in 2015.

**Capital Improvement/Collection and Transmission Lines** – Neighborhood sewerage programs will continue at a pace of approximately \$1 million per year through 2019 with the District continuing to pay 10% of associated neighborhood sewerage costs.

***Capital Improvement/Treatment and Disposal*** – Capital projects are projected to cost an average of \$1.7 million per year through 2020. Replacement of our traveling bridge filters with deep bed sand filters is projected to cost approximately \$11 million over the next two years, and will include an important upgrade to electrical connectivity between our emergency generators, which will increase our resiliency during power outages.

***Renewal and Replacement*** – Planned R&R projects for the collection and transmission system are projected to cost an average of \$1.3 million per year through 2020. This work will focus on condition assessment and renewal and replacement of existing collection and transmission system features (e.g., lining or replacing degraded pipe sections, rehabilitating aging lift stations). Planned R&R projects for the treatment and disposal system are projected to cost an average of \$3.6 million per year through 2020. Specific projects include: construction of deep bed filters to replace failing traveling bridge filters, rehabilitation of clarifier #3, and continued rehabilitation of biosolids processing area.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGER**

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District at 2500 Jupiter Park Drive, Jupiter, Florida 33458.

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## **BASIC FINANCIAL STATEMENTS**

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**LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT***Statements of Net Position**September 30, 2014 and 2013*

	2014	2013
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,666,363	\$ 6,552,701
Investments - unrestricted	5,103,373	2,774,240
Investments - restricted	6,559,607	6,969,782
Receivables:		
Accounts	1,407,486	746,986
Special assessments	591,633	556,462
Accrued interest	583,456	623,224
Due from other governments	76,595	36,926
Inventories	1,297,784	1,235,733
Prepaid expenses	379,783	357,758
<b>Total current assets</b>	<b>21,666,080</b>	<b>19,853,812</b>
<b>Noncurrent assets</b>		
Receivables:		
Accounts	490,631	490,401
Special assessments	8,056,917	8,508,346
Investments	10,593,804	9,593,427
Investment in joint venture	2,486,078	2,580,070
Capital assets:		
Non-depreciable	2,348,808	2,630,702
Depreciable (net of depreciation)	104,509,531	104,224,360
<b>Total noncurrent assets</b>	<b>128,485,769</b>	<b>128,027,306</b>
<b>Total assets</b>	<b>\$ 150,151,849</b>	<b>\$ 147,881,118</b>

*Continued on the following page.*



**LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT**

*Statements of Net Position (Continued)*

*September 30, 2014 and 2013*

	2014	2013
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 804,435	\$ 518,792
Construction contracts payable	589,437	520,283
Bonds payable (current)	216,365	461,584
Accrued liabilities:		
Accrued interest	9,531	10,296
Wages and payroll taxes	227,795	192,910
Pension	142,501	129,557
Compensated absences	68,254	67,564
Unearned revenue	1,558,929	2,028,441
<b>Total current liabilities (payable from current assets)</b>	<b>3,617,247</b>	<b>3,929,427</b>
<b>Current liabilities payable from restricted assets</b>		
Accrued interest	-	4,656
Bonds payable (current)	-	278,024
Customer deposits	259,607	387,102
<b>Total current liabilities (payable from restricted assets)</b>	<b>259,607</b>	<b>669,782</b>
<b>Total current liabilities</b>	<b>3,876,854</b>	<b>4,599,209</b>
<b>Noncurrent liabilities</b>		
Compensated absences	666,284	614,219
Bonds payable	2,431,798	3,570,742
<b>Total noncurrent liabilities</b>	<b>3,098,082</b>	<b>4,184,961</b>
<b>Total liabilities</b>	<b>\$ 6,974,936</b>	<b>\$ 8,784,170</b>
<b>Net position</b>		
Net investment in capital assets	\$ 104,210,176	\$ 102,544,712
Restricted for:		
Renewal and replacement	6,300,000	6,300,000
Debt service	-	278,024
Unrestricted	32,666,737	29,974,212
<b>Total net position</b>	<b>\$ 143,176,913</b>	<b>\$ 139,096,948</b>

*See notes to basic financial statements.*

**LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT***Statements of Revenues, Expenses and Changes in Net Position**Years Ended September 30, 2014 and 2013*

	2014	2013
<b>Operating revenues</b>		
Charges for services	\$ 17,068,443	\$ 16,558,320
Miscellaneous	500,866	534,846
<b>Total operating revenues</b>	<b>17,569,309</b>	<b>17,093,166</b>
<b>Operating expenses</b>		
Personal services	6,322,100	6,079,828
Operational	2,688,221	2,615,615
Supplies and chemicals	1,404,409	1,287,386
Repairs and maintenance	2,030,502	1,959,972
Contractual services	353,989	275,639
Depreciation and amortization	5,885,015	5,867,335
<b>Total operating expenses</b>	<b>18,684,236</b>	<b>18,085,775</b>
Operating loss	(1,114,927)	(992,609)
<b>Nonoperating revenues (expenses)</b>		
Grants	10,000	11,336
Interest income	784,574	757,045
Interest expense	(5,834)	(137,397)
Net gain (loss) on fair value of investments	(7,386)	13,594
Loss on disposal of capital assets	(83,934)	(339,020)
<b>Total nonoperating revenues (expenses)</b>	<b>697,420</b>	<b>305,558</b>
Loss before capital contributions	(417,507)	(687,051)
Capital contributions	4,497,472	3,532,332
Change in net position	4,079,965	2,845,281
Net position, beginning of year	139,096,948	136,251,667
<b>Net position, end of year</b>	<b>\$ 143,176,913</b>	<b>\$ 139,096,948</b>

*See notes to basic financial statements.*

**LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT***Statements of Cash Flows**Years Ended September 30, 2014 and 2013*

	2014	2013
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 16,280,218	\$ 16,455,089
Payments to employees	(6,221,517)	(6,022,766)
Payments for goods and services	(6,275,554)	(6,301,221)
Other receipts (payments)	(8,314)	911,508
<b>Net cash provided by operating activities</b>	<b>3,774,833</b>	<b>5,042,610</b>
<b>Cash flows from non-capital financing activities:</b>		
Grants	10,000	11,336
<b>Net cash provided by non-capital financing activities</b>	<b>10,000</b>	<b>11,336</b>
<b>Cash flows from capital and related financing activities:</b>		
Contributed capital	3,240,298	2,209,493
Acquisition and construction of capital assets	(4,757,978)	(2,828,436)
Cash received from the sale of capital assets	54,926	495,383
Principal paid on bonds payable	(1,662,187)	(1,657,652)
Proceeds from collections of special assessments	743,690	666,558
Interest paid on bonds payable	(187,541)	(218,591)
<b>Net cash used in capital and related financing activities</b>	<b>(2,568,792)</b>	<b>(1,333,245)</b>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(12,514,926)	(12,065,971)
Proceeds from sales of investments	9,762,897	11,165,746
Interest and dividends on investments	649,650	666,786
<b>Net cash used in investing activities</b>	<b>(2,102,379)</b>	<b>(233,439)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(886,338)</b>	<b>3,487,262</b>
Cash and cash equivalents at beginning of year	6,552,701	3,065,439
<b>Cash and cash equivalents at end of year</b>	<b>\$ 5,666,363</b>	<b>\$ 6,552,701</b>

*Continued on the following page.*

**LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT***Statements of Cash Flows (Continued)**Years Ended September 30, 2014 and 2013*

	2014	2013
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss	\$ (1,114,927)	\$ (992,609)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	5,885,015	5,867,335
(Increase) decrease in assets:		
Accounts receivable	(660,730)	(168,874)
Due from other governments	(39,669)	65,701
Inventories	(62,051)	(189,764)
Prepaid expenses	(22,025)	(29,365)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	386,227	113,582
Customer deposits	(127,495)	65,643
Unearned revenue	(469,512)	310,961
<b>Net cash provided by operating activities</b>	<b>\$ 3,774,833</b>	<b>\$ 5,042,610</b>
<b>Noncash investing, capital and financing activities:</b>		
Contributions of lift stations, lines and equipment	\$ 929,742	\$ 1,045,321
Book value of assets disposed	99,493	386,120
Change in unrealized (gain) loss on investments	7,386	(13,594)

*See notes to basic financial statements.*

## LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT

Notes to Financial Statements  
September 30, 2014 and 2013

### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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Loxahatchee River Environmental Control District (the District) was created by Chapter 71-822, Special Acts of Florida, 1971, as amended, and codified pursuant to Chapter 2002-358, Laws of Florida, as a separate local agency of government to provide for the management of sewage, storm drainage, and water supply in portions of Palm Beach and Martin Counties generally defined as the Loxahatchee River Basin. The District is governed by an elected five-member board. The following is a summary of the more significant accounting principles and policies used in the preparation of these financial statements.

#### Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government and its component units. Component units are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the District's financial statements to be misleading or incomplete. The primary government is considered financially accountable if it appoints a voting majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board (GASB), management has included Friends of the Loxahatchee River, Inc. (Friends) in the District's reporting entity. Friends, a nonprofit corporation legally separate from the District, is governed by a seven member board which includes the Governing Board members that govern the District. For this reason, the financial activity of Friends is reported as if it were part of the primary government as a blended component unit. Friends issues publicly available financial statements that can be obtained by contacting the District.

#### Basis of Presentation and Accounting

On October 1, 2002, the District adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*" Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net position, a statement of activities and changes in net position and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- ❖ Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- ❖ Restricted net position – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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- ❖ Unrestricted net position – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The District’s financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in the District’s financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The District elected to follow all pre-November 30, 1989 FASB pronouncements, which are now codified in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

All activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are: (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District’s wastewater treatment enterprise fund are charges for the operation of the plant facilities. Operating expenses for the enterprise fund include the cost of the operation of the plant facilities, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position.

### *New Accounting Pronouncements*

The District implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25* during the fiscal year ended September 30, 2014. This statement improves financial reporting by state and local governmental pension plans. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria.

### *Budgetary Accounting*

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- ❖ The District’s Executive Director submits a proposed operating budget to the Governing Board for the fiscal year commencing the following October 1.
- ❖ Public hearings are conducted to obtain comments.
- ❖ Formal budget integration is employed as a management control device during the year. The accounting principles applied for the purpose of developing data on a budgetary basis differ from those used to present financial statements in conformity with generally accepted

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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accounting principles, in that the District does not provide for depreciation expense in its budget.

- ❖ The Governing Board approves the budget appropriations. Any revisions that increase the total appropriations must be approved by the Governing Board.
- ❖ Unused appropriations for budgeted funds lapse at the end of the fiscal year.

### Other Postemployment Benefits (OPEB)

The District was required to implement Governmental Accounting Standards Board Statement No. 45 (“Statement 45”), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ending September 30, 2010. The District has determined that they do not provide any benefits that qualify as other postemployment benefits under Statement 45.

### Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, and useful lives and impairment of tangible assets. Accordingly, actual results could differ from those estimates.

### Cash and Cash Equivalents

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

### Investments

Investments are stated at cost, which approximates market value. The investments held by the District consist of certificates of deposit with original maturities ranging from one year to five years.

### Inventory and Prepaid Items

Inventories are valued at the lower of cost (as determined by the first-in/first-out method) or market value.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments on the statement of net position.

### Capital Assets

Property, plant and equipment in service and construction in progress are recorded at cost, if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value, if available, or at the engineers’ estimated fair market value or cost to construct at the date of the contribution. Expenditures for maintenance and repairs are expensed as incurred, while expenditures for renewals and improvements are capitalized. Construction costs of new collection and transmission facilities that are reimbursed by users or financed by developers and property owners are capitalized and recorded as revenues.

Net interest cost is capitalized on capital projects during the construction period in accordance with Statements of Financial Accounting Standards Nos. 34 and 62.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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Depreciation has been provided over the useful lives using the straight line method. The estimated useful lives are as follows:

Lakes and retention ponds	50-100 years
Buildings	10-40 years
Improvements other than buildings	20-60 years
Equipment	3-10 years

### Accumulated Compensated Absences

It is the District's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid upon separation from the District's service. The District uses the vesting method in accruing vacation and sick leave as the benefits are earned by the employee if it is probable that the employee will be compensated for the benefits through payments conditioned on termination or retirement.

### Restricted Assets

As of September 30, 2014 and 2013, the District has \$6,559,607 and \$6,969,782, respectively of cash and investments restricted for renewal and replacement, debt service and customer deposits. Other than the liabilities designated to be paid from restricted assets, it is the District's policy to spend restricted funds only when unrestricted amounts are insufficient or unavailable.

### Contributions

Contributions are recognized in the statement of revenues, expenses and changes in net position when earned. Contributions include capital grants or contributions from developers, customers, or other governmental agencies.

### Allowance for Doubtful Accounts

The District's enabling legislation gives the District the authority to place liens on properties in the event that fees or charges are not paid when due. Consequently, an allowance for uncollectible accounts is not maintained because the District believes all amounts will ultimately be collected. A portion of the accounts receivable is classified as a noncurrent asset. These represent accounts that currently have liens or are anticipated to have liens placed on them in the future.

### Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

## 2) DEPOSITS AND INVESTMENTS

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### Deposits

At September 30, 2014 and 2013, the carrying amount of the District's cash on deposit was \$27,912,297 and \$25,816,221 and the related bank balance was \$28,279,694 and \$26,295,793, respectively. The District additionally had cash on hand of \$10,850 at the end of each fiscal year, resulting in a total cash carrying amount of \$27,923,147 and \$25,827,071 in 2014 and 2013 respectively. At September 30, 2014 and 2013, the District's deposits included a money market account in the amount of \$1,506,877 and \$1,511,376, and certificates of deposit in the amount of \$22,256,784 and \$19,274,370 with original maturities greater than three months. The certificates of deposit are reported as investments in the statement of net position. All deposits are insured by federal deposit insurance or collateralized pursuant to Florida Statutes Chapter 280, *Florida Security*



## **2) DEPOSITS AND INVESTMENTS (Continued)**

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*for Public Deposits Act.*

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280 the State Treasurer requires all Florida qualified depositories to deposit with the Treasurer or banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

### **Investments**

The investment of surplus public funds is governed by an investment policy approved by the Governing Board. The policy limits investments to the following securities:

1. State Board of Administration Local Government Surplus Trust Fund
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency
3. Savings accounts in state-certified qualified public depositories
4. Certificates of deposit in state-certified qualified public depositories
5. Direct obligations of the U.S. Treasury or any other government agencies
6. Repurchase agreements

The State Board of Administration is part of the Local Government Surplus Funds Trust Fund and is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Governments Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Governing Board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Cash equivalents have a weighted average maturity of less than one year, resulting in minimal interest rate risk. The District's investment policy does not specifically limit the maturity of investments.

### **Credit Risk**

Credit risk is the risk that an issuer will not fulfill its obligations. The District's investment policy addresses credit risk by limiting allowable investments to the Florida Prime Fund, deposits with a financial institution meeting the requirements of a Florida qualified public depository, securities guaranteed by the U.S. government, or investments that are otherwise fully collateralized or secured. The security rating by a Nationally Recognized Statistical Rating Organization (NRSRO) is also an indication of credit risk.

### **Custodial Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy limits its investments to high quality investments to control credit risk.

### 3) INVESTMENT IN JOINT VENTURE

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#### *Biosolids Processing and Recycling Facility*

On June 7, 2005, the District entered into an interlocal agreement (Agreement) with the Solid Waste Authority (SWA) to fund a portion of the cost to design, build, and operate a Biosolids Processing and Recycling Facility (BPF). There have been three amendments to the original agreement. The first amendment dated June 15, 2006 adjusted the original capital costs of the BPF, and the second amendment dated June 21, 2012, set forth the total net capital costs for the BPF. On July 18, 2013, the District sold 1.54% of its share of the original capacity to another government agency, thereby reducing the District's share of the total capacity to 8.96%. Proceeds from the sale were \$448,282, which reduced the District's original capital cost to \$3,311,772. Additional capital costs were incurred in the fiscal year ended September 30, 2014 in the amount of \$68,944, increasing its portion of the capital cost to \$3,378,959.

The BPF processes certain wastewater treatment residuals (biosolids) which is necessary to comply with increasingly stringent environmental regulations that have significantly decreased the number of land application sites available. Prior to August 2009, bulk land application was the primary method of disposing of the biosolids.

The Agreement is for a period of 20 years beginning with the August 1, 2009 operations commencement. Upon the conclusion of the term of the agreement, the BPF will remain the property of SWA with each participating entity owning its share of the BPF, in perpetuity, for the life of the plant. Under accounting principles generally accepted in the United States of America, the District is required to account for this arrangement as a joint venture. Therefore, an asset is reported on the District's financial statements under the caption "Investment in joint venture."

Since the BPF agreement does not state that the participants are to share in the profits and losses of the joint venture, the investment in joint venture account will not be adjusted to reflect the joint venture's results of operations. Rather the investment in joint venture will be amortized using the straight-line method over the 20-year life of the agreement. The District's total operating costs were \$577,276 and \$535,090 for the years ended September 30, 2014 and 2013.

The District's pro rata share of the construction costs is shown as an asset – investment in joint venture – on the statements of net position.

The SWA is responsible for the design, construction, operation, and maintenance of the BPF. On April 12, 2005, the SWA approved a contract with a private company, NEFCO, to design/build/operate the BPF. The District, along with the other participating entities, are in turn responsible for delivering wastewater biosolids to the BPF and for paying their pro rata share of the capital and net operating costs. This provision helps to insure that the BPF venture does not accumulate assets that may result in a financial benefit to the District or cause the District to experience fiscal stress from the BPF.

No separate financial statements are prepared for the BPF, which is reported as part of the SWA operations. Financial statements for the SWA may be obtained at the following address:

Solid Waste Authority  
7501 North Jog Road  
West Palm Beach, Florida 33412

#### 4) CAPITAL ASSETS

A summary of the District's property, plant, and equipment at September 30, 2014 and 2013 is as follows:

	September 30, 2014			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets not being depreciated:				
Land and land rights	\$ 854,434	\$ -	\$ -	\$ 854,434
Construction in progress	1,776,268	3,946,118	(4,228,012)	1,494,374
Total capital assets not being depreciated	2,630,702	3,946,118	(4,228,012)	2,348,808
Depreciable capital assets:				
Treatment and disposal system				
Plant	59,276,610	467,261	(171,297)	59,572,574
Lakes	1,211,079	-	-	1,211,079
Lines	85,787,385	3,822,913	(85,574)	89,524,724
Lift stations	21,760,134	1,336,428	(369,994)	22,726,568
Equipment	7,031,642	519,508	(152,527)	7,398,623
Total depreciable capital assets	175,066,850	6,146,110	(779,392)	180,433,568
Less accumulated depreciation	(70,842,490)	(5,722,079)	640,532	(75,924,037)
Depreciable capital assets, net of accumulated depreciation	104,224,360	424,031	(138,860)	104,509,531
<b>Total capital assets</b>	<b>\$ 106,855,062</b>	<b>\$ 4,370,149</b>	<b>\$ (4,366,872)</b>	<b>\$ 106,858,339</b>

	September 30, 2013			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets not being depreciated:				
Land and land rights	\$ 854,434	\$ -	\$ -	\$ 854,434
Construction in progress	725,706	2,393,244	(1,342,682)	1,776,268
Total capital assets not being depreciated	1,580,140	2,393,244	(1,342,682)	2,630,702
Depreciable capital assets:				
Treatment and disposal system				
Plant	59,586,364	180,564	(490,318)	59,276,610
Lakes	1,211,079	-	-	1,211,079
Lines	84,577,578	1,670,302	(460,495)	85,787,385
Lift stations	21,067,827	912,566	(220,259)	21,760,134
Equipment	6,909,435	382,613	(260,406)	7,031,642
Total depreciable capital assets	173,352,283	3,146,045	(1,431,478)	175,066,850
Less accumulated depreciation	(66,211,468)	(5,676,382)	1,045,360	(70,842,490)
Depreciable capital assets, net of accumulated depreciation	107,140,815	(2,530,337)	(386,118)	104,224,360
<b>Total capital assets</b>	<b>\$ 108,720,955</b>	<b>\$ (137,093)</b>	<b>\$ (1,728,800)</b>	<b>\$ 106,855,062</b>

The total interest expense incurred by the District for the fiscal year ended September 30, 2014 was \$182,119; of this amount, \$174,528 was included as part of the cost of construction in progress. The total interest expense

#### 4) CAPITAL ASSETS (Continued)

incurred by the District for the fiscal year ended September 30, 2013 was \$214,900; of this amount \$77,503 was included as part of the cost of construction in progress.

Depreciation expense was \$5,722,079 and \$5,676,382 for the years ended September 30, 2014 and 2013, respectively.

#### 5) CONTRACTS PAYABLE

Construction contracts of the District at September 30, 2014 and 2013 are as follows:

	September 30, 2014			
	Total Project Authorization	Total Expended	Contracts Payable	Balance to Complete
Eagles Nest	\$ 2,082,510	\$ 1,759,510	\$ 323,000	\$ -
Deep Bed Filters	1,469,698	174,944	58,161	1,236,593
Jupiter Inlet Colony	698,795	81,865	30,767	586,163
Island Way N	476,622	423,475	53,147	-
Little/River Oaks	279,931	27,688	2,969	249,274
Lift Station Rehabilitations	273,506	150,819	118,238	4,449
Other construction contracts	255,635	232,350	3,155	20,130
<b>Total</b>	<b>\$ 5,536,697</b>	<b>\$ 2,850,651</b>	<b>\$ 589,437</b>	<b>\$ 2,096,609</b>

	September 30, 2013			
	Total Project Authorization	Total Expended	Contracts Payable	Balance to Complete
Eagles Nest	\$ 2,191,414	\$ 476,698	\$ 96,760	\$ 1,617,956
Sludge Building Task 6	229,276	147,146	-	82,130
Roebuck Road	745,570	440,500	39,854	265,216
Toney Penna	178,603	17,634	160,541	428
Lift Station Rehabilitations	249,082	124,439	124,643	-
Central Boulevard Upgrade	642,958	618,580	24,378	-
Other construction contracts	236,121	67,846	74,107	94,168
<b>Total</b>	<b>\$ 4,473,024</b>	<b>\$ 1,892,843</b>	<b>\$ 520,283</b>	<b>\$ 2,059,898</b>

#### 6) BONDS PAYABLE

Bonds payable at September 30, 2014 and 2013 are as follows:

	September 30,	
	2014	2013
Series 1997B		
\$2,400,000 Series 1997B Bonds were issued to pay the cost of certain improvements to the Utility System. Due in quarterly installments of \$48,719, each March 1, June 1, September 1, and December 1, commencing June 1, 1997 through March 1, 2017; interest rate is 5.18%. Effective September 19, 2003, the interest rate was reduced to 4.89% thereby reducing the quarterly installments to \$47,868.	\$ -	\$ 611,772

**6) BONDS PAYABLE (Continued)**

	<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>
Series 1997C \$2,600,000 Series 1997C Bonds due in quarterly installments of \$50,833, each March 1, June 1, September 1 and December 1, commencing December 1, 1999 through March 1, 2017; interest rate is 4.19%. Effective September 19, 2003, the interest rate was reduced to 3.98% thereby reducing the quarterly installments to \$50,172.	-	652,035
Series 2009 \$3,600,000 Series 2009 Bonds were issued to pay the cost of improvements to the Utility System. Due in equal monthly installments of \$27,628, commencing on September 1, 2009 through August 1, 2024; interest rate is 4.53%.	2,648,163	2,855,025
Series 2010 \$3,693,245 Series 2010 Bonds were issued to pay the cost of improvements to the Utility System. Due in equal monthly installments of \$96,045, commencing on August 1, 2010 through November 1, 2013; interest rate is 2.38%	-	191,518
Total	2,648,163	4,310,350
Less current portion	(216,365)	(739,608)
<b>Long-term portion</b>	<b>\$ 2,431,798</b>	<b>\$ 3,570,742</b>

Annual debt service requirements at September 30, 2014 to maturity are as follows:

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2015	\$ 216,365	\$ 115,175	\$ 331,540
2016	225,929	105,611	331,540
2017	236,571	94,969	331,540
2018	246,782	84,758	331,540
2019	259,142	72,398	331,540
2020-2024	1,463,374	171,943	1,635,317
<b>Total</b>	<b>\$ 2,648,163</b>	<b>\$ 644,854</b>	<b>\$ 3,293,017</b>

**Provisions of Bond Resolution**

- A. The District covenants to fix, establish and maintain rates, fees rentals or other charges to provide:
- ❖ Gross revenues, including investment earnings of the various funds and accounts created by the bond resolution, to pay all operating expenses (excluding depreciation and amortization), and;
  - ❖ At least one hundred ten percent (110%) of the annual debt service requirement for the bonds, and;
  - ❖ Together with capital charges, at least one hundred twenty-five percent (125%) of the annual debt service requirement for the bonds, and;
  - ❖ For all other payments required by the resolution.
- B. Limitations on amounts accumulated in the various funds are as follows:
- ❖ Debt Service Reserve Account – The Resolution provides for the funding of this account in amounts equal to \$120,000 and \$130,000 for the 1997B and 1997C Bonds, respectively.

## 6) BONDS PAYABLE (Continued)

- ❖ Repairs and Replacement Fund – \$250,000, or higher amount as certified necessary by the District’s engineer.
- ❖ At September 30, 2014 and 2013, the District was in compliance with the bond covenants.

### Repayment of Debt

On December 1, 2014, the District prepaid the remaining amounts due for the Series 2009 Revenue Bonds in the amount of \$3,042,087.

## 7) LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended September 30, 2014 were as follows:

	September 30, 2014				
	Balance October 1, 2013	Additions	Reductions	Balance September 30, 2014	Due Within One Year
Bonds payable	\$ 4,310,350	\$ -	\$ 1,662,187	\$ 2,648,163	\$ 216,365
Compensated absences	681,783	82,954	30,199	734,538	68,254
	<b>\$ 4,992,133</b>	<b>\$ 82,954</b>	<b>\$ 1,692,386</b>	<b>\$ 3,382,701</b>	<b>\$ 284,619</b>

Changes in long-term liabilities for the year ended September 30, 2013 were as follows:

	September 30, 2013				
	Balance October 1, 2012	Additions	Reductions	Balance September 30, 2013	Due Within One Year
Bonds payable	\$ 5,968,002	\$ -	\$ 1,657,652	\$ 4,310,350	\$ 739,608
Compensated absences	661,619	75,597	55,433	681,783	67,564
	<b>\$ 6,629,621</b>	<b>\$ 75,597</b>	<b>\$ 1,713,085</b>	<b>\$ 4,992,133</b>	<b>\$ 807,172</b>

## 8) DEFEASED DEBT

In a prior year, the District defeased a bond issue by creating an irrevocable trust fund. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in trust funds. The investments and fixed earnings from the investments are sufficient to fully service the refunded debt until the debt is called. Consequently, the debt is considered defeased and was removed as a liability. At September 30, 2014 and 2013, the amount of defeased debt outstanding, but removed from the financial statements, is \$0 and \$975,000, respectively.

## 9) RESTRICTED ASSETS, LIABILITIES AND RESTRICTED NET POSITION

Restricted assets and liabilities at September 30, 2014 and 2013 represent bond proceeds restricted for debt service, and renewal and replacements under the terms of the outstanding utility system revenue bonds, as well as customer deposits. Assets restricted for these purposes represent cash and investments totaling \$6,559,607 and \$6,969,782 for the years ended September 30, 2014 and 2013, respectively. Liabilities payable from restricted assets represent the current portion of long-term debt and customer deposits.

## 9) RESTRICTED ASSETS, LIABILITIES AND RESTRICTED NET POSITION (continued)

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The following is a summary of restricted assets, related liabilities, and restricted net position at September 30, 2014 and 2013:

<b>September 30, 2014</b>	<b>Restricted Assets</b>	<b>Liabilities Payable from Restricted Assets</b>	<b>Restricted Net Position</b>
Renewal and replacement	\$ 6,300,000	\$ -	\$ 6,300,000
Customer deposits	259,607	259,607	-
	<b>\$ 6,559,607</b>	<b>\$ 259,607</b>	<b>\$ 6,300,000</b>

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<b>September 30, 2013</b>	<b>Restricted Assets</b>	<b>Liabilities Payable from Restricted Assets</b>	<b>Restricted Net Position</b>
Renewal and replacement	\$ 6,300,000	\$ -	\$ 6,300,000
Debt service	282,680	4,656	278,024
Customer deposits	387,102	387,102	-
	<b>\$ 6,969,782</b>	<b>\$ 391,758</b>	<b>\$ 6,578,024</b>

## 10) PENSION PLAN

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The District contributes to the Loxahatchee River Environmental Control District Money Purchase Plan and Trust, a defined contribution pension plan, for its full-time employees. The Plan is administered by an Administrative Committee that reports to the Governing Board. Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Governing Board. The District is required to contribute 12% of annual salary to individual employee accounts for each participating employee. Employees contribute 4% of their eligible compensation. For the years ended September 30, 2014 and 2013, employee contributions totaled \$154,475 and \$164,320 and the District's recognized pension expense was \$635,375 and \$682,368, respectively.

Employees are required to participate in the District's mandatory plan after attainment of 18 years of age and completion of one year of continuous service. Employees are fully vested after two years of plan participation. Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to reduce employer contributions. There were no forfeitures for the years ended September 30, 2014 and 2013.

The District had a liability to the Plan at September 30, 2014 and 2013 in the amount of \$142,501 and \$129,557 respectively.

## 11) COMMITMENTS

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### Service Agreement

On October 1, 2013 the District entered into a new agreement with H&H Liquid Sludge Disposal for a two year commitment for the hauling and disposal of wastewater sludge to the SWA Pelletization Facility. The contract provides for a fixed rate of \$12.90 per ton. For the years ended September 30, 2014 and 2013, the District paid \$137,128 and \$143,868, respectively.

### Purchase Commitments

The District had outstanding purchase orders totaling approximately \$202,086 and \$49,700 for the fiscal years ended September 30, 2014 and 2013, respectively.

## 12) RISK MANAGEMENT

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The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Specifically, the District purchases commercial insurance for property, medical benefits, worker's compensation, general liability, automobile liability, errors and omissions, and directors and officers liability. The District is also covered by Florida Statutes under the Doctrine of Sovereign Immunity, which effectively limits the amount of liability of government agencies to individual claims of \$200,000/\$300,000 for all claims relating to the same accident. There were no changes in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage in the last three years.



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## **COMPLIANCE SECTION**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Governing Board  
Loxahatchee River Environmental Control District  
Jupiter, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Loxahatchee River Environmental Control District, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise Loxahatchee River Environmental Control District's basic financial statements, and have issued our report thereon dated March 6, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Loxahatchee River Environmental Control District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Loxahatchee River Environmental Control District's internal control. Accordingly, we do not express an opinion on the effectiveness of Loxahatchee River Environmental Control District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all the deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Loxahatchee River Environmental Control District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rampell + Rampell, P.A.*

Rampell & Rampell, P.A.  
Palm Beach, Florida

March 6, 2015

**INDEPENDENT ACCOUNTANT'S REPORT ON AN EXAMINATION CONDUCTED IN  
ACCORDANCE WITH AICPA PROFESSIONAL STANDARDS, SECTION 601,  
REGARDING COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER  
10.550, RULES OF THE AUDITOR GENERAL**

To the Governing Board  
Loxahatchee River Environmental Control District  
Jupiter, Florida

We have examined Loxahatchee River Environmental Control District's compliance with the requirements of Section 218.415, Florida Statutes during the year ended September 30, 2014. Management is responsible for Loxahatchee River Environmental Control District's compliance with those requirements. Our responsibility is to express an opinion on Loxahatchee River Environmental Control District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Loxahatchee River Environmental Control District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Loxahatchee River Environmental Control District's compliance with specified requirements.

In our opinion, Loxahatchee River Environmental Control District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

*Rampell + Rampell, P.A.*

Rampell & Rampell, P.A.  
Palm Beach, Florida

March 6, 2015

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**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES  
OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Governing Board  
Loxahatchee River Environmental Control District  
Jupiter, Florida

**Report on the Financial Statements**

We have audited the financial statements of Loxahatchee River Environmental Control District, as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated March 6, 2015.

**Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

**Other Reports**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and the Independent Accountant's Report on an Examination Conducted in Accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 6, 2015, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

**Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Information regarding the specific legal authority for Loxahatchee River Environmental Control District is disclosed in the Notes to the Financial Statements.

## **Financial Condition**

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not Loxahatchee River Environmental Control District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Loxahatchee River Environmental Control District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Loxahatchee River Environmental Control District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

## **Annual Financial Report**

Section 10.554(1)(i)5.b., rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for Loxahatchee River Environmental Control District for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

## **Special District Component Units**

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that Loxahatchee River Environmental Control District is not a component unit of a county, municipality, or special district and was not required to provide financial information necessary for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

## **Other Matters**

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Governing Board, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Rampell + Rampell, P.A.*

Rampell & Rampell, P.A.  
Palm Beach, Florida

March 6, 2015